



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2007
OF THE CONDITION AND AFFAIRS OF THE

Priority Health

NAIC Group Code	3383	3383	NAIC Company Code	95561	Employer's ID Number	38-2715520
	(Current Period)	(Prior Period)				
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States					
Licensed as business type:	Life, Accident & Health []		Property/Casualty []		Dental Service Corporation []	
	Vision Service Corporation []		Other []		Health Maintenance Organization [X]	
	Hospital, Medical & Dental Service or Indemnity []		Is HMO, Federally Qualified? Yes []		No [X]	
Incorporated/Organized	03/07/1986		Commenced Business	10/15/1986		
Statutory Home Office	1231 East Beltline NE			Grand Rapids, MI 49525-4501		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	1231 East Beltline NE					
	Grand Rapids, MI 49525-4501			616-942-0954		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Mail Address	1231 East Beltline NE			Grand Rapids, MI 49525-4501		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	1231 East Beltline NE					
	Grand Rapids, MI 49525-4501			616-464-8926		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Internet Website Address	www.priority-health.com					
Statutory Statement Contact	Kristy Shoemaker			616-464-8926		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	kristy.shoemaker@priority-health.com			616-942-7916		
	(E-mail Address)			(FAX Number)		

OFFICERS

Name	Title	Name	Title
Kimberly K Horn	President / Chief Executive Officer	Judith W Hooyenga	Secretary
Gregory A Hawkins #	Treasurer / Chief Financial Officer		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Dennis Aloia	Daniel H Baldwin	Craig H Bethune	Richard C Breon
Gaylen J Byker	Karl D Deck	Georgia R Fojtajek #	Michael P Freed
Lynn Kotecki	Michael I Love	Peter B Lundeen	Christina MacInnes
Edward M Millermaier #	Kathleen S Ponitz	Stephen B Reznicek	Robert W Roth
Thomas G Schwaderer	Timothy V Smith	Hilary F Snell	Dale M Sowders
James J Stephanak	Jody D Vanderwel	Douglas A Zwemer #	

State ofMichigan.....

ss

County ofKent.....

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Kimberly K Horn	Judith W Hooyenga	Gregory A Hawkins
President / Chief Executive Officer	Secretary	Treasurer / Chief Financial Officer
Subscribed and sworn to before me this		
_____ day of _____ February, 2008		
Cheryl Britcher		
Executive Administrative Assistant		
12/30/2011		
a. Is this an original filing?		Yes [X] No []
b. If no,		
1. State the amendment number		_____
2. Date filed		_____
3. Number of pages attached		_____

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	134,425,269		134,425,269	128,754,137
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	.0		.0	.0
2.2 Common stocks	62,988,661	809,631	62,179,030	57,656,843
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			.0	.0
3.2 Other than first liens .....			.0	.0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$0 encumbrances).....	632,051	632,051	.0	.0
4.2 Properties held for the production of income (less \$ encumbrances) .....			.0	.0
4.3 Properties held for sale (less \$ encumbrances) .....			.0	.0
5. Cash (\$(11,183,996) , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$181,244,200 , Schedule DA).....	170,060,202		170,060,202	146,995,053
6. Contract loans, (including \$premium notes)			.0	.0
7. Other invested assets (Schedule BA) .....	.0	.0	.0	.0
8. Receivables for securities .....			.0	65,000
9. Aggregate write-ins for invested assets .....	.0	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9)	368,106,183	1,441,682	366,664,501	333,471,033
11. Title plants less \$charged off (for Title Insurers only) .....			.0	.0
12. Investment income due and accrued	2,619,020		2,619,020	3,127,873
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	12,053,255	329,950	11,723,305	12,206,912
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			.0	.0
13.3 Accrued retrospective premium.....	299,273		299,273	29,998
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	461,025	461,025	.0	357,495
14.2 Funds held by or deposited with reinsured companies .....			.0	.0
14.3 Other amounts receivable under reinsurance contracts .....			.0	.0
15. Amounts receivable relating to uninsured plans .....			.0	.0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			.0	.0
16.2 Net deferred tax asset.....			.0	.0
17. Guaranty funds receivable or on deposit .....			.0	.0
18. Electronic data processing equipment and software .....			.0	.0
19. Furniture and equipment, including health care delivery assets (\$0)	10,458,176	10,458,176	.0	.0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0	.0
21. Receivables from parent, subsidiaries and affiliates	2,897,622		2,897,622	14,968,167
22. Health care (\$6,702,322) and other amounts receivable.....	10,904,954	3,259,200	7,645,754	5,805,574
23. Aggregate write-ins for other than invested assets	4,644,637	4,644,637	.0	.0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	412,444,145	20,594,670	391,849,475	369,967,052
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	.0
26. Total (Lines 24 and 25)	412,444,145	20,594,670	391,849,475	369,967,052
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.0	.0	.0	.0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0	0
2301. Goodwill.....	4,200,000	4,200,000	.0	.0
2302. Prepaid expenses.....	444,637	444,637	.0	.0
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page .....	.0	.0	.0	.0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	4,644,637	4,644,637	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$0 reinsurance ceded)	.....96,890,039	.....6,492,404	.....103,382,443	.....105,056,477
2. Accrued medical incentive pool and bonus amounts	.....17,652,309		.....17,652,309	.....19,872,850
3. Unpaid claims adjustment expenses	.....1,654,239	.....152,499	.....1,806,738	.....1,897,877
4. Aggregate health policy reserves	.....300,301		.....300,301	.....2,276,000
5. Aggregate life policy reserves			.....0	.....0
6. Property/casualty unearned premium reserves			.....0	.....0
7. Aggregate health claim reserves			.....0	.....0
8. Premiums received in advance	.....26,652,915		.....26,652,915	.....12,633,261
9. General expenses due or accrued	.....3,108,553		.....3,108,553	.....3,539,910
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			.....0	.....0
10.2 Net deferred tax liability			.....0	.....0
11. Ceded reinsurance premiums payable			.....0	.....0
12. Amounts withheld or retained for the account of others			.....0	.....0
13. Remittance and items not allocated			.....0	.....0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			.....0	.....0
15. Amounts due to parent, subsidiaries and affiliates	.....8,418,941		.....8,418,941	.....2,444,267
16. Payable for securities			.....0	.....0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			.....0	.....0
18. Reinsurance in unauthorized companies			.....0	.....0
19. Net adjustments in assets and liabilities due to foreign exchange rates			.....0	.....0
20. Liability for amounts held under uninsured plans	.....11,569		.....11,569	.....494,237
21. Aggregate write-ins for other liabilities (including \$15,066,749 current)	.....15,066,749	.....0	.....15,066,749	.....15,066,749
22. Total liabilities (Lines 1 to 21)	169,755,615	6,644,903	176,400,518	163,281,628
23. Aggregate write-ins for special surplus funds	XXX	XXX	1,000,000	1,000,000
24. Common capital stock	XXX	XXX	8,524	8,524
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX	35,821,002	35,821,002
27. Surplus notes	XXX	XXX	33,839,572	33,839,572
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	144,779,859	136,016,326
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$)	XXX	XXX		0
30.2 shares preferred (value included in Line 25 \$)	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	215,448,957	206,685,424
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	391,849,475	369,967,052
DETAILS OF WRITE-INS				
2101. Acquisition Costs	15,066,749		15,066,749	15,066,749
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	15,066,749	0	15,066,749	15,066,749
2301. Appropriated Retained Earnings	XXX	XXX	1,000,000	1,000,000
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	1,000,000	1,000,000
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	4,871,980	5,341,367
2. Net premium income (including \$0 non-health premium income).....	XXX	1,375,182,101	1,388,640,976
3. Change in unearned premium reserves and reserve for rate credits	XXX		713,950
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	534,252	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,375,716,353	1,389,354,926
Hospital and Medical:			
9. Hospital/medical benefits		889,634,264	902,027,127
10. Other professional services		1,474,912	539,399
11. Outside referrals		33,202,697	32,739,329
12. Emergency room and out-of-area		42,939,898	36,363,888
13. Prescription drugs		247,111,785	253,662,791
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		26,815,410	22,907,276
16. Subtotal (Lines 9 to 15)	0	1,241,178,966	1,248,239,810
Less:			
17. Net reinsurance recoveries		1,686,209	1,067,135
18. Total hospital and medical (Lines 16 minus 17)	0	1,239,492,757	1,247,172,675
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$1,935,092 cost containment expenses.....		19,352,418	18,797,278
21. General administrative expenses.....		109,663,706	115,421,244
22. Increase in reserves for life and accident and health contracts (including \$0 increase in reserves for life only).....		(2,276,000)	2,276,000
23. Total underwriting deductions (Lines 18 through 22)	0	1,366,232,881	1,383,667,197
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	9,483,472	5,687,729
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		17,067,073	16,967,104
26. Net realized capital gains (losses) less capital gains tax of \$0		(175,065)	(47,258)
27. Net investment gains (losses) (Lines 25 plus 26)	0	16,892,008	16,919,846
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	(779,278)	1,582,685
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	25,596,202	24,190,260
31. Federal and foreign income taxes incurred	XXX		0
32. Net income (loss) (Lines 30 minus 31)	XXX	25,596,202	24,190,260
DETAILS OF WRITE-INS			
0601. Wellness Program Revenue.....	XXX	534,252	0
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	534,252	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901. Supplemental Interest Income.....		376,647	1,582,685
2902. Write-down on Dissolution of Affiliate.....		(1,375,364)	0
2903. Management Fee Revenue.....		219,439	0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	(779,278)	1,582,685

STATEMENT OF REVENUE AND EXPENSES (continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior-reporting period	206,685,424	181,227,898
34. Net income or (loss) from Line 32	25,596,202	24,190,260
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ 0	(160,757)	6,864,016
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax		0
39. Change in nonadmitted assets	(16,671,912)	2,863,143
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	33,839,572
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	(2,000)
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	2,000
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders		0
47. Aggregate write-ins for gains or (losses) in surplus	0	(42,299,465)
48. Net change in capital & surplus (Lines 34 to 47)	8,763,533	25,457,526
49. Capital and surplus end of reporting period (Line 33 plus 48)	215,448,957	206,685,424
DETAILS OF WRITE-INS		
4701. Share repurchase of stock.....	0	(42,299,465)
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	(42,299,465)

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	1,387,110,437	1,393,939,824
2. Net investment income	17,944,106	17,327,391
3. Miscellaneous income	534,252	0
4. Total (Lines 1 through 3)	1,405,588,795	1,411,267,215
5. Benefit and loss related payments	1,242,783,836	1,271,893,247
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	130,800,566	132,837,350
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses).....	0	0
10. Total (Lines 5 through 9)	1,373,584,402	1,404,730,597
11. Net cash from operations (Line 4 minus Line 10)	32,004,393	6,536,618
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	33,429,541	23,296,580
12.2 Stocks	3,894	1,000,000
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	942,347	369,348
12.7 Miscellaneous proceeds	65,000	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	34,440,782	24,665,928
13. Cost of investments acquired (long-term only):		
13.1 Bonds	39,638,075	24,872,006
13.2 Stocks	828,784	679,908
13.3 Mortgage loans	0	0
13.4 Real estate	511,660	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	5,513,162	4,895,388
13.7 Total investments acquired (Lines 13.1 to 13.6)	46,491,681	30,447,302
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(12,050,899)	(5,781,374)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied).....	3,111,655	(14,902,484)
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	3,111,655	(14,902,484)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	23,065,149	(14,147,240)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	146,995,053	161,142,293
19.2 End of year (Line 18 plus Line 19.1)	170,060,202	146,995,053

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Priority Health

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	1,375,182,101	1,322,209,057	0	0	0	0	52,973,044	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of \$ medical expenses)	0									XXX
4. Risk revenue.....	0									XXX
5. Aggregate write-ins for other health care related revenues.....	534,252	534,252	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	1,375,716,353	1,322,743,309	0	0	0	0	52,973,044	0	0	0
8. Hospital/medical/ benefits	889,634,263	852,694,525					36,939,738			XXX
9. Other professional services	1,474,912	1,450,088					24,824			XXX
10. Outside referrals	33,202,697	32,643,858					558,839			XXX
11. Emergency room and out-of-area	42,939,898	42,217,170					722,728			XXX
12. Prescription Drugs	247,111,784	237,273,745					9,838,039			XXX
13. Aggregate write-ins for other hospital and medical.....	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts.....	26,815,410	26,815,410								XXX
15. Subtotal (Lines 8 to 14)	1,241,178,964	1,193,094,796	0	0	0	0	48,084,168	0	0	XXX
16. Net reinsurance recoveries	1,686,209	1,686,209								XXX
17. Total hospital and medical (Lines 15 minus 16)	1,239,492,755	1,191,408,587	0	0	0	0	48,084,168	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ cost containment expenses.....	19,352,418	18,403,209					949,209			
20. General administrative expenses	109,663,707	104,284,857					5,378,850			
21. Increase in reserves for accident and health contracts	(2,276,000)						(2,276,000)			XXX
22. Increase in reserves for life contracts.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,366,232,880	1,314,096,653	0	0	0	0	52,136,227	0	0	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	9,483,473	8,646,656	0	0	0	0	836,817	0	0	0
DETAILS OF WRITE-INS										
0501. Wellness Program Revenue.....	534,252	534,252								XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	534,252	534,252	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,323,096,729		887,672	1,322,209,057
2. Medicare Supplement .....				.0
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan .....				.0
6. Title XVIII - Medicare	52,980,211		7,167	52,973,044
7. Title XIX - Medicaid.....				.0
8. Other health.....				.0
9. Health subtotal (Lines 1 through 8)	1,376,076,940	.0	894,839	1,375,182,101
10. Life .....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11)	1,376,076,940	0	894,839	1,375,182,101

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	1,234,597,071	1,188,317,886					46,279,185			
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	1,686,208	1,686,208								
1.4 Net	1,232,910,863	1,186,631,678	0	0	0	0	46,279,185	0	0	0
2. Paid medical incentive pools and bonuses	29,035,952	29,035,952								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	103,382,444	97,678,977	0	0	0	0	5,703,467	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	103,382,444	97,678,977	0	0	0	0	5,703,467	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	17,652,309	17,652,309								
6. Net healthcare receivables (a)	18,559,484	18,559,484								
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	105,056,477	101,157,993	0	0	0	0	3,898,484	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	105,056,477	101,157,993	0	0	0	0	3,898,484	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	19,872,850	19,872,850	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	1,214,363,554	1,166,279,386	0	0	0	0	48,084,168	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	1,686,208	1,686,208	0	0	0	0	0	0	0	0
12.4 Net	1,212,677,346	1,164,593,178	0	0	0	0	48,084,168	0	0	0
13. Incurred medical incentive pools and bonuses	26,815,410	26,815,410	0	0	0	0	0	0	0	0

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	27,473,122	26,027,758					1,445,364			
1.2. Reinsurance assumed	0									
1.3. Reinsurance ceded	0									
1.4. Net	27,473,122	26,027,758	0	0	0	0	1,445,364	0	0	0
2. Incurred but Unreported:										
2.1. Direct	75,895,526	71,637,423					4,258,103			
2.2. Reinsurance assumed	0									
2.3. Reinsurance ceded	0									
2.4. Net	75,895,526	71,637,423	0	0	0	0	4,258,103	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct	13,796	13,796								
3.2. Reinsurance assumed	0									
3.3. Reinsurance ceded	0									
3.4. Net	13,796	13,796	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1. Direct	103,382,444	97,678,977	0	0	0	0	5,703,467	0	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4. Net	103,382,444	97,678,977	0	0	0	0	5,703,467	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	91,907,839	1,094,723,838	3,713,836	93,965,141	95,621,675	101,157,993
2. Medicare Supplement					0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan Premiums					0	0
6. Title XVIII - Medicare	3,563,224	42,715,962	50,944	5,652,523	3,614,168	3,898,484
7. Title XIX - Medicaid.....					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8).....	95,471,063	1,137,439,800	3,764,780	99,617,663	99,235,842	105,056,477
10. Healthcare receivables (a).....	6,191,129	10,751,884	0	7,807,599	6,191,129	6,191,129
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts	21,180,039	7,855,913	500,237	17,152,072	21,680,276	19,872,850
13. Totals (Lines 9 - 10 + 11 + 12)	110,459,973	1,134,543,828	4,265,016	108,962,136	114,724,989	118,738,198

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	499,272	499,615	499,636	499,636	499,636
2. 2003	589,387	689,376	689,725	689,733	689,733
3. 2004	XXX	396,492	787,837	788,183	788,183
4. 2005	XXX	XXX	803,465	908,265	908,265
5. 2006	XXX	XXX	XXX	1,108,431	1,215,635
6. 2007	XXX	XXX	XXX	XXX	1,092,361

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	499,615	499,615	499,636	499,636	499,636
2. 2003	694,450	689,654	698,581	689,733	689,733
3. 2004	XXX	803,826	789,095	788,183	788,183
4. 2005	XXX	XXX	912,710	910,947	910,947
5. 2006	XXX	XXX	XXX	1,225,485	1,221,472
6. 2007	XXX	XXX	XXX	XXX	1,195,421

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2003	773,666	689,733	11,649	1.7	701,382	90.7			701,382	90.7
2. 2004	936,875	788,183	13,453	1.7	801,636	85.6			801,636	85.6
3. 2005	1,046,749	908,265	16,011	1.8	924,276	88.3			924,276	88.3
4. 2006	1,353,642	1,215,635	11,104	0.9	1,226,739	90.6	4,214	65	1,231,018	90.9
5. 2007	1,322,209	1,092,361	11,113	1.0	1,103,474	83.5	111,117	1,638	1,216,229	92.0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior .....	.0	.0	.0	.0	
2. 2003 .....	.0	.0	.0	.0	
3. 2004	XXX	.0	.0	.0	
4. 2005	XXX	XXX	758	1,299	1,299
5. 2006	XXX	XXX	XXX	28,337	31,593
6. 2007	XXX	XXX	XXX	XXX	42,183

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior					
2. 2003					
3. 2004	XXX				
4. 2005	XXX	XXX	1,587	1,301	1,301
5. 2006	XXX	XXX	XXX	32,233	31,949
6. 2007	XXX	XXX	XXX	XXX	48,368

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2003.....	.0	.0		.0	.0	.0			.0	.0
2. 2004.....	.0	.0		.0	.0	.0			.0	.0
3. 2005.....	1,744	1,299	27	2.1	1,326	76.0			1,326	76.0
4. 2006.....	34,999	31,593	147	0.5	31,740	90.7	51	1	31,792	90.8
5. 2007	52,973	42,183	190	0.5	42,373	80.0	5,653	103	48,129	90.9

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	28,254	28,277	28,277	28,277	28,277
2. 2003 .....	.0	.0	.0	.0	.0
3. 2004	XXX	.0	.0	.0	.0
4. 2005	XXX	XXX	.0	.0	.0
5. 2006	XXX	XXX	XXX	.0	.0
6. 2007	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	28,254	28,277	28,277	28,277	28,277
2. 2003.....					
3. 2004.....	XXX				
4. 2005.....	XXX	XXX			
5. 2006.....	XXX	XXX	XXX		
6. 2007.....	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	527,526	527,892	527,913	527,913	527,913
2. 2003.....	589,387	689,376	689,725	689,733	689,733
3. 2004.....	XXX	396,492	787,837	788,183	788,183
4. 2005.....	XXX	XXX	804,223	909,564	909,564
5. 2006.....	XXX	XXX	XXX	1,136,768	1,247,228
6. 2007.....	XXX	XXX	XXX	XXX	1,134,544

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	527,869	527,892	527,913	527,913	527,913
2. 2003.....	694,450	689,654	698,581	689,733	689,733
3. 2004.....	XXX	803,826	789,095	788,183	788,183
4. 2005.....	XXX	XXX	914,297	912,248	912,248
5. 2006.....	XXX	XXX	XXX	1,257,718	1,253,421
6. 2007.....	XXX	XXX	XXX	XXX	1,243,789

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2003.....	773,666	689,733	11,649	1.7	701,382	90.7	.0	.0	701,382	90.7
2. 2004.....	936,875	788,183	13,453	1.7	801,636	85.6	.0	.0	801,636	85.6
3. 2005.....	1,048,493	909,564	16,038	1.8	925,602	88.3	.0	.0	925,602	88.3
4. 2006.....	1,388,641	1,247,228	11,251	0.9	1,258,479	90.6	4,265	66	1,262,810	90.9
5. 2007.....	1,375,182	1,134,544	11,303	1.0	1,145,847	83.3	116,770	1,741	1,264,358	91.9

ANNUAL STATEMENT FOR THE YEAR 2007 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	.0								
2. Additional policy reserves (a) .....	.0								
3. Reserve for future contingent benefits .....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ for investment income)	300,301						300,301		
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross)	300,301	.0	.0	.0	.0	.0	300,301	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4)	300,301	.0	.0	.0	.0	.0	300,301	.0	.0
9. Present value of amounts not yet due on claims .....	.0								
10. Reserve for future contingent benefits .....	.0								
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$0 for occupancy of own building).....	25,391	228,522	4,460,850		4,714,763
2. Salaries, wages and other benefits.....	1,650,489	14,854,403	39,129,068		55,633,960
3. Commissions (less \$0 ceded plus \$0 assumed.....			23,412,723		23,412,723
4. Legal fees and expenses.....	108	966	354,391		355,465
5. Certifications and accreditation fees.....		1,521	125,441		126,962
6. Auditing, actuarial and other consulting services.....	1,133	10,193	556,065		567,391
7. Traveling expenses.....	623	5,611	943,278		949,512
8. Marketing and advertising.....	1,925	17,325	3,721,590		3,740,840
9. Postage, express and telephone.....	5,012	45,105	1,931,887		1,982,004
10. Printing and office supplies.....	8,247	74,222	2,070,187		2,152,656
11. Occupancy, depreciation and amortization.....	26,664	239,978	2,845,740		3,112,382
12. Equipment.....	217	1,951	391,931		394,099
13. Cost or depreciation of EDP equipment and software.....	56,378	507,400	6,014,220		6,577,998
14. Outsourced services including EDP, claims, and other services.....	143,017	1,287,159	15,219,187		16,649,363
15. Boards, bureaus and association fees.....	37	330	147,612		147,979
16. Insurance, except on real estate.....	55	499	479,283		479,837
17. Collection and bank service charges.....	86	776	322,649		323,511
18. Group service and administration fees.....	641	5,769	2,000,562		2,006,972
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....	1,913	17,215	340,186		359,314
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....			35,598		35,598
23.4 Payroll taxes.....	10,977	98,795	3,365,616		3,475,388
23.5 Other (excluding federal income and real estate taxes).....	2,179	19,586	1,795,642		1,817,407
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25).....	1,935,092	17,417,326	109,663,706	0	(a).....129,016,124
27. Less expenses unpaid December 31, current year.....	180,674	1,626,063	3,108,553		4,915,290
28. Add expenses unpaid December 31, prior year.....	117,217	1,780,660	3,539,911	0	5,437,788
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	1,871,635	17,571,923	110,095,064	0	129,538,622
DETAIL OF WRITE-INS					
2501.					
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above)	0	0	0	0	0

(a) Includes management fees of \$102,822,454 to affiliates and \$0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a) .....6,742,212	.....7,069,357
1.1	Bonds exempt from U.S. tax	(a) .....	.....
1.2	Other bonds (unaffiliated)	(a) .....	.....
1.3	Bonds of affiliates	(a) .....	.....
2.1	Preferred stocks (unaffiliated)	(b) .....	.....
2.11	Preferred stocks of affiliates	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....824,890	.....1,108,374
2.21	Common stocks of affiliates .....	.....0	.....
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	.....
5.	Contract loans.....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e) .....8,615,891	.....8,515,762
7.	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....320,505	.....373,580
10.	Total gross investment income	16,503,498	17,067,073
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total (Lines 11 through 15) .....		.....0
17.	Net Investment Income - (Line 10 minus Line 16)		17,067,073
DETAILS OF WRITE-INS			
0901.	Priority Health Managed Benefits - LOC.....	.....320,505	.....373,580
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	320,505	373,580
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above) .....		.....0

(a) Includes \$0 accrual of discount less \$368,180 amortization of premium and less \$161,638 paid for accrued interest on purchases.
(b) Includes \$0 accrual of discount less \$0 amortization of premium and less \$0 paid for accrued dividends on purchases.
(c) Includes \$0 accrual of discount less \$0 amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5.
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	.....(169,222)	.....	.....(169,222)	.....	.....
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....0	.....	.....
1.2	Other bonds (unaffiliated) .....	.....	.....	.....0	.....	.....
1.3	Bonds of affiliates .....	.....0	.....0	.....0	.....0	.....0
2.1	Preferred stocks (unaffiliated) .....	.....0	.....0	.....0	.....0	.....0
2.11	Preferred stocks of affiliates .....	.....0	.....0	.....0	.....0	.....0
2.2	Common stocks (unaffiliated) .....	.....3,894	.....0	.....3,894	.....1,432,692	.....0
2.21	Common stocks of affiliates .....	.....0	.....(4,663,791)	.....(4,663,791)	.....(1,593,449)	.....0
3.	Mortgage loans .....	.....	.....	.....0	.....	.....0
4.	Real estate .....	.....0	.....	.....0	.....	.....0
5.	Contract loans .....	.....	.....	.....0	.....	.....
6.	Cash, cash equivalents and short-term investments .....	.....(9,736)	.....	.....(9,736)	.....	.....
7.	Derivative instruments .....	.....	.....	.....0	.....	.....
8.	Other invested assets .....	.....	.....	.....0	.....	.....0
9.	Aggregate write-ins for capital gains (losses) .....	.....0	.....0	.....0	.....0	.....0
10.	Total capital gains (losses) .....	.....(175,064)	.....(4,663,791)	.....(4,838,855)	.....(160,757)	.....0
DETAILS OF WRITE-INS						
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0	.....0	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	809,631	0	(809,631)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	632,051	223,104	(408,947)
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule-E, Part 1), cash equivalents (Schedule-E, Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	1,441,682	223,104	(1,218,578)
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	329,950	0	(329,950)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premium.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	461,025	0	(461,025)
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	10,458,176	0	(10,458,176)
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	127,944	127,944
22. Health care and other amounts receivable.....	3,259,200	3,530,405	271,205
23. Aggregate write-ins for other than invested assets	4,644,637	41,305	(4,603,332)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	20,594,670	3,922,758	(16,671,912)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	20,594,670	3,922,758	(16,671,912)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Goodwill.....	4,200,000	0	(4,200,000)
2302. Prepaid Expenses.....	444,637	41,305	(403,332)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	4,644,637	41,305	(4,603,332)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	373,919	351,161	343,649	338,658	337,694	4,130,051
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	56,952	56,353	55,421	53,444	52,761	659,928
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business	5,486	6,259	6,566	7,372	7,728	82,001
7. Total	436,357	413,773	405,636	399,474	398,183	4,871,980
DETAILS OF WRITE-INS						
0601. Medicare.....	5,486	6,259	6,566	7,372	7,728	82,001
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	5,486	6,259	6,566	7,372	7,728	82,001

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

A. Nature of Organization and Ownership

Priority Health (the Company or the Plan) is a nonprofit, nontaxable health maintenance organization owned primarily by Spectrum Health (Priority Health's 95% shareholder), as well as Munson Healthcare and Healthshare, Inc. The Plan provides coverage for medical, hospital and other health care services to its members, who are located primarily within Michigan, through contracts executed with various health care providers. Priority Health offers health coverage to commercial and Medicare subscribers as a standard health maintenance organization product or a point-of-service product.

Priority Health is the 100% owner of Priority Health Government Programs, Inc. (PHGP), an HMO established effective October 1, 2002. Priority Health, as the sole owner and parent of PHGP, records its investment in subsidiary based on the subsidiary's underlying audited statutory equity in accordance with prescribed accounting practices and procedures. PHGP has over 50,700 Medicaid and MICHild members as of December 31, 2007.

Priority Health is the 100% owner of Priority Health Insurance Company (PHIC), established effective September 1, 2004. Priority Health, as the sole owner and parent of PHGP, records its investment in subsidiary based on the subsidiary's underlying audited statutory equity in accordance with prescribed accounting practices and procedures. PHIC provides contracts of health insurance, including endorsements, for medical, hospital and other health care services. PHIC has over 26,700 members as of December 31, 2007.

On April 1, 2007, Priority Health purchased 100% ownership of PHMB Properties, LLC and Trinity Health Plans. PHMB Properties, LLC owns the buildings that make up the corporate headquarters of Priority Health. Trinity Health Plans offers self-funded health plans to employers, who are located primarily within Michigan, who wish to retain the risk for healthcare costs. THP had over 34,100 members as of December 31, 2007.

The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member copayments, coinsurance or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon the results of operations within their defined risk pool. In the event the risk pool's utilization of defined measures meets, or exceeds, documented thresholds, the providers may share in the surplus, and be eligible for the return of previously withheld fees, as defined in their respective contracts. In addition, the Plan provides for a quality incentive to be paid to certain providers contingent upon achieving specified quality goals.

Priority Health's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the State of Michigan Office of Insurance and Financial Services (OFIS). The National Association of Insurance Commissioners (NAIC) has revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification, effective on January 1, 2001. It is the intent of the NAIC to publish a new *Accounting Practices and Procedures Manual* annually. The latest version of the manual is as of March 2007.

The NAIC manual requires insurers to fully disclose and quantify any deviations from the practices and procedures adopted in the manual. HMOs must prepare their financial statements in accordance with this guidance except as modified by OFIS. There is a full adoption and application of applicable Statements of Statutory Accounting Principals (SSAPs).

B. Use of Estimates

The preparation of financial statements of HMOs requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

C. Accounting Policy

1. All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure.
2. Investments consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices.

NOTES TO FINANCIAL STATEMENTS

3. Investments in Common Stocks are reported at fair market value based upon quoted market prices.
4. Preferred Stocks are Not Applicable.
5. Mortgage loans are Not Applicable.
6. Loan-backed securities as well as other asset-backed securities are held and are reported at their amortized cost.
7. The Plan uses the equity method to account for investment in and the continuing operations of its wholly owned subsidiaries, Priority Health Government Programs, Inc. and Priority Health Insurance Company, as described in SSAP 46.
8. The Plan does not have minor ownership interests in joint ventures.
9. Derivatives are not held by the Plan and therefore this disclosure is Not Applicable.
10. and 11. Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred, but not reported at the balance sheet date. Under capitation arrangements, health care costs are recognized when accruable under the providers' respective agreements. Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the nature of the health care costs and provider billing requirements, as defined by the participating providers' agreements, amounts accrued at year-end are paid predominantly in the following year.
12. The Company has not modified its capitalization policy from the prior period.

2. Accounting Changes and Correction of Errors

A. Material Changes in Accounting Principles

The accompanying financial statements have been prepared in conformity with the NAIC Annual Statements Instructions and Accounting Policies and Procedures except for the following item, which caused surplus to be increased by \$377,000. The Company received approval from the Office of Financial and Insurance Services of the State of Michigan (OFIS) to record as other income a contribution of investment income allocated to the Company from Trinity Health of \$377,000 as a permitted practice. This permitted practice has been granted to the Company until further notice by OFIS.

B. Cumulative Effect of Changes for the Implementation of Codification

The State of Michigan has adopted the provisions of NAIC SAP reporting manual for Health Maintenance Organizations (HMO). HMOs within the State of Michigan, including Priority Health, have adopted these provisions as prescribed.

3. Business Combinations and Goodwill

A & B.

Acquisition of Care Choices and Trinity Health Plans

Statutory Merger

1. Effective December 21, 2006, PH entered into a Merger and Stock Purchase Agreement (the Merger Agreement) with Trinity Health-Michigan (Seller), Care Choices, and THP. On April 1, 2007, Care Choices merged with and into PH, at which time the separate existence of Care Choices ceased. Concurrently, PH acquired from the Seller all of the outstanding stock of THP. Care Choices and THP are Michigan nonprofit corporations.
2. The transaction to acquire Care Choices was accounted for using the statutory merger method as defined in *SSAP No. 68, Business Combinations and Goodwill*.
3. No stock was issued as part of the transaction.
4. Pre-merger separate company revenue, net income, and other surplus adjustments for the three months ended March 31, 2007, were \$270,362,382; 6,220,904; and (\$13,127,451) respectively, for Priority Health and \$76,027,530; \$1,706,448; (\$21,678,418), respectively, for Care Choices HMO.
5. Not applicable.

Statutory Purchase

NOTES TO FINANCIAL STATEMENTS

1. As discussed, on April 1, 2007, PH acquired from the Seller all of the outstanding stock of THP.
2. The transaction to acquire THP was accounted for using the statutory purchase method as defined in *SSAP No. 68, Business Combinations and Goodwill*, with THP becoming a wholly owned subsidiary of Priority Health. The investment in subsidiary is fully non-admitted.
3. Priority Health acquired THP for \$663,790 which was the book value upon acquisition. There was no Goodwill associated with the acquisition.
4. Not applicable.

Acquisition of Metropolitan-Butterworth Health Services, Inc. and PHMB Properties LLC

Statutory Purchase

1. Effective April 1, 2007, PH acquired the membership interest in PHMB Properties LLC (“Properties”) and the stock of Metropolitan-Butterworth Health Services, Inc (“Wellness”) from its affiliate Priority Health Managed Benefits (PHMB). Effective October 1, 2007, Wellness was dissolved.
 2. The transaction was accounted for using the statutory purchase method as defined in *SSAP No. 68, Business Combinations and Goodwill*.
 3. Properties and Wellness were acquired for \$2 from PH’s affiliate, Priority Health Managed Benefits. There was no Goodwill recorded by the Plan.
 4. Not applicable.
- C. Not applicable
D. Not applicable

4. Discontinued Operations

The Plan has no Discontinued Operations to report.

5. Investments

- A. Mortgage Loans – Not Applicable
- B. Debt Restructuring -- Not Applicable
- C. Reverse Mortgages -- Not Applicable
- D. Loan-backed securities –
 1. The Company does not have securities purchased prior to January 1, 1994.
 2. Prepayment assumptions for loan-backed and asset-backed securities were obtained from broker dealer survey including Bloomberg and Solomon Yield Book.
 3. The Plan has applied retrospective adjustment methodology to these investments.
- E. Repurchase Agreements -- Not Applicable
- F. Real Estate – Not Applicable
- G. Low-Income Housing Tax Credits (LIHTC) – Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

The Plan has no Joint Ventures, Partnerships, or Limited Liabilities Companies to Report.

7. Investment Income

This note is Not Applicable to the Plan as no income due is past its due date and no investment income was non-admitted.

8. Derivative Instruments

This note is Not Applicable to the Plan.

9. Income Taxes

NOTES TO FINANCIAL STATEMENTS

The Plan is exempt from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

10. Information Concerning Parent, Subsidiaries, and Affiliates

A, B, C, D, E, F, G

The Plan has a management contract with Priority Health Managed Benefits, Inc. (PHMB), an organization related to the Plan through common ownership, to provide certain management services. The management fee incurred by the Plan was \$95,734,000 in 2007 and \$81,598,000 in 2006, respectively.

Rental payments for operating leases are being paid by Priority Health Managed Benefits, Inc., as part of the management contract.

The Plan entered into a loan agreement on October 3, 2005 with PHMB. The amount of the loan is not to exceed the maximum allowed by statutory guidance. In September, 2007 the balance of this debt was repaid. Proceeds from this debt were used by PHMB in the purchase of real estate occupied by the Plan. The interest rate is equal to LIBOR plus 0.40% calculated on a 360 day basis and adjusted quarterly. Interest income from the PHMB loan was \$374,000 and \$460,000 in 2007 and 2006, respectively.

Premium revenues recognized from related organizations were approximately \$94,547,000 and \$93,821,000 during 2007 and 2006, respectively. Health care costs approximating \$203,676,000 during 2007 and \$227,547,000 in 2006 were provided to plan members by related organizations.

Amounts due from affiliates were \$2,898,000 at December 31, 2007, and \$15,096,000 at December 31, 2006. Included in the 2006 due from affiliate balance was a non-admitted asset in the amount of \$128,000 related to prepaid management fees. Also included in the 2006 balance is \$10,300,000 related to the loan agreement with PHMB. Amounts due to affiliates are \$8,419,000 at December 31, 2007, and \$2,578,000 at December 31, 2006.

H--None

I---Investment in SCA does not meet criteria

J -- None

11. Debt

The Plan does not have Capital Notes nor any other type of debt, therefore, this note is Not Applicable.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

This note is Not Applicable to the Plan.

13. Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations

- (1) The Plan has 10,000--Class A and 60,000--Class B authorized shares of common stock. Of these shares, 8,524 are issued and outstanding (8,000--Class A, 524--Class B).
- (2) The Plan has no preferred stock outstanding.
- (3) and (4) All stock is non-dividend bearing
- (5) There were no restrictions placed on the Plan's surplus.
- (6) The total amount of advances to surplus not repaid – Not Applicable
- (7) This is Not Applicable to the Plan.
- (8) This is Not Applicable to the Plan
- (9) The portion of unassigned funds (surplus) represented or reduced by unrealized gains and losses is \$8,399,000.

NOTES TO FINANCIAL STATEMENTS

(10) The Company issued the following surplus notes:

A, B, C, D, E, F, G, H, I, J, K, L, M

1	2	3	4	5	6	7	8
Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note	Principal And/Or Interest Paid Current Year	Total Principal And/Or Interest Paid	Unapproved Principal And/Or Interest	Date of Maturity
12/8/2006	6%	\$6,000,000	\$6,000,000	\$0	\$0	\$383,671	None
12/8/2006	6%	6,000,000	6,000,000	0	0	383,671	None
12/8/2006	6%	6,000,000	6,000,000	0	0	383,671	None
12/8/2006	6%	6,000,000	6,000,000	0	0	383,671	None
12/8/2006	6%	6,000,000	6,000,000	0	0	383,671	None
12/8/2006	6%	3,839,572	3,839,572	0	0	245,525	None
1310999 Total		\$33,839,572	\$33,839,572	\$0	\$0	\$2,163,880	

The Surplus Notes listed above were issued to Spectrum Health Corporation.

The Surplus Notes have the following repayment conditions and restrictions: Payment of interest and principal, if any, shall be paid annually from earned surplus. Repayment of such amounts will be subject to the approval of the Board of Directors of Priority Health and prior written approval by the State of Michigan’s Office of Financial and Insurance Services.

The Surplus Notes have the following subordination terms: The payment of principal and interest is expressly subordinated to claims of creditors and members of Priority Health and any other priority claims provided by Chapter 81 of the Insurance Code, which provides that surplus notes are at the eighth level of priority.

The liquidation preferences to the insurer’s shareholders are as follows: If Priority Health is dissolved and there are insufficient assets to pay in full the principal amount of and interest on all outstanding surplus notes, then Priority Health shall pay on all surplus notes pro rata on the basis of the outstanding principal amount of each surplus note and the interest accrued thereon. Regardless of the issuance date of these Surplus Notes or any other surplus note of Priority Health, these Surplus Notes shall be of equal rank with any other surplus note or series of surplus notes.

N. This is Not Applicable to the Plan

(11) This is Not Applicable to the Plan

(12) This is Not Applicable to the Plan

14. Contingencies

- A. The Plan has committed to its wholly owned subsidiaries, Priority Health Insurance Company, Inc. and Priority Health Government Programs, to provide additional capital as needed in order for this subsidiary to meet capital requirements as mandated by the regulating authority.
- B. Assessments are Not Applicable.
- C. Gain Contingencies are Not Applicable.
- D. All Other Contingencies are Not Applicable.

15. Leases

A. Lessee Operating Lease

- 1. In the course of business, the Plan does not enter into leases directly. PHMB does lease office space, office equipment, and computer hardware/software under various operating lease agreements that expire over various periods of time. Rental expense for 2007 and 2006 was approximately \$2,189,000 and \$1,447,000, respectively. The Plan pays PHMB for the fully

NOTES TO FINANCIAL STATEMENTS

allocated cost for these leases as described in the Management Agreement.

2. At December 31, 2007, PHMB's minimum aggregate rental commitments are as follows:

Year Ending December 31 Operating Leases

1. 2008	\$ 2,540,117
2. 2009	\$ 2,483,833
3. 2010	\$ 1,937,960
4. 2011	\$ 623,542
5. 2012	\$ 541,548
6. Thereafter	\$ 1,302,510

3. The Plan is not involved in any sales-leaseback transactions.

B. Lessor Leases

This note is Not Applicable to the Plan.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

This note is Not Applicable to the Plan.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note is Not Applicable to the Plan.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

The Company receives funds from the Center for Medicare & Medicaid Services (CMS) for its stand alone Medicare Advantage product (MAPD) that includes both an insured and uninsured payment mechanism. The uninsured payment includes reimbursements for a portion of claims above a catastrophic threshold and for all or a portion of the deductible, the coinsurance and the co-payment amounts for low-income beneficiaries. The uninsured payment from CMS is received monthly based on a predetermined per member per month amount with an annual settlement occurring in the following year. The Company reported a net receivable for amounts held under uninsured plans of \$573,000 at December 31, 2007 and a net liability of \$494,000 at December 31, 2006. Cash receipts for uninsured plans were \$390,000 and \$814,000 for 2007 and 2006, respectively.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This note is Not Applicable to the Plan.

20. Other Items

The Plan does not have Extraordinary Items, Troubled Debt Restructuring, or other items indicated as a requirement for disclosure.

21. Events Subsequent

There are no subsequent events to report for the Company.

22. Reinsurance

- A. Not Applicable
- B. Not Applicable
- C. None

23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. Written premiums for the Company's Medicare Advantage product are subject to retrospective

NOTES TO FINANCIAL STATEMENTS

adjustments. The Company estimates accrued retrospective premiums based on a risk corridor calculation as defined by the CMS. The Plan also estimates accrued retrospective premium adjustments for its group health insurance business based on the financial experience of the policyholder with a charge for administrative expenses.

- B. The Plan records accrued retrospective premium as an adjustment of earned premium.
- C. The amount of net premiums written by the Plan at December 31, 2007, that are subject to retrospective rating features was \$121,763,000, that represent 8.9% of the total net premiums written for group health. No other net premiums written by the Plan are subject to retrospective rating features.

25. Change in Incurred Claims and Claim Adjustment Expenses

Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments were favorable by approximately \$1,738,000 in 2007, decreasing the prior year-end claim reserve estimates of \$105.1 million to \$103.3 million.

26. Intercompany Pooling Arrangements

This note is Not Applicable to the Plan.

27. Structured Settlements

This note is Not Applicable to the Plan.

28. Health Care Receivables

A. Pharmacy rebates as of the end of each quarter for the three years ended December 31, 2007, 2006 and 2005 are as follows:

	Estimated on FS	Pharmacy rebates as Invoiced/ Confirmed within 60 days period end	Actual Rebates collected within 90 days of invoicing	Actual Rebates collected within 91 to 180 days of invoicing	Actual Rebates collected beyond 180 days of invoicing
12/31/2007	\$ 4,875,554	\$ 3,918,845	\$ -	\$ -	\$ -
9/30/2007	\$ 3,163,000	\$ 3,783,595	\$ 1,899,856	\$ -	\$ -
6/30/2007	\$ 4,395,800	\$ 3,886,840	\$ 2,850,754	\$ 735,687	\$ -
3/31/2007	\$ 4,438,434	\$ 3,922,837	\$ 2,641,467	\$ 1,057,967	\$ 149,337
12/31/2006	\$ 4,707,674	\$ 3,451,582	\$ 3,512,508	\$ 712,793	\$ 93,750
9/30/2006	\$ 4,968,675	\$ 3,376,104	\$ 3,071,928	\$ 456,157	\$ 94,354
6/30/2006	\$ 5,447,346	\$ 3,631,347	\$ 3,687,271	\$ 440,325	\$ 22,601
3/31/2006	\$ 5,918,261	\$ 4,063,023	\$ 1,849,498	\$ 2,135,652	\$ 95,400
12/31/2005	\$ 5,785,926	\$ 4,574,716	\$ 2,978,807	\$ 621,754	\$ 62,966
9/30/2005	\$ 5,365,573	\$ 5,646,102	\$ 3,602,006	\$ 742,941	\$ 379,820
6/30/2005	\$ 5,506,763	\$ 6,060,059	\$ 5,292,714	\$ 185,934	\$ 625,513
3/31/2005	\$ 4,871,663	\$ 5,265,842	\$ 4,824,093	\$ 307,759	\$ (65,212)

B. This note is Not Applicable to the Plan.

29. Participating Policies

This note is Not Applicable to the Plan.

30. Premium Deficiency Reserves

As of December 31, 2006, the Plan had liabilities of \$2,276,000 related to premium deficiency reserves for its Medicare Advantage product for the 2007 contract year. The Plan considered anticipated investment income when calculating its premium deficiency reserves. There was no premium deficiency reserve recorded in the 2007 financial statements.

31. Anticipated Salvage and Subrogation

The Plan does not estimate anticipated salvage and subrogation nor reduce any amount from its liability

NOTES TO FINANCIAL STATEMENTS

for unpaid claims or losses.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	7,923,398	2.152	7,923,398	2.161
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	0	0.000	0	0.000
1.22 Issued by U.S. government sponsored agencies	12,821,259	3.483	12,821,259	3.497
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)	0	0.000	0	0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	0	0.000	0	0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	174,763	0.047	174,763	0.048
1.43 Revenue and assessment obligations	3,000,253	0.815	3,000,253	0.818
1.44 Industrial development and similar obligations	0	0.000	0	0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	1,243,857	0.338	1,243,857	0.339
1.512 Issued or guaranteed by FNMA and FHLMC	50,394,793	13.690	50,394,793	13.744
1.513 All other	0	0.000	0	0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	725,160	0.197	725,160	0.198
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	0	0.000	0	0.000
1.523 All other	23,236,839	6.313	23,236,839	6.337
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	34,491,918	9.370	34,491,918	9.407
2.2 Unaffiliated foreign securities	413,028	0.112	413,028	0.113
2.3 Affiliated securities	0	0.000	0	0.000
3. Equity interests:				
3.1 Investments in mutual funds	41,114,082	11.169	41,114,082	11.213
3.2 Preferred stocks:				
3.21 Affiliated	0	0.000	0	0.000
3.22 Unaffiliated	0	0.000	0	0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated	0	0.000	0	0.000
3.32 Unaffiliated	0	0.000	0	0.000
3.4 Other equity securities:				
3.41 Affiliated	21,874,579	5.942	21,064,949	5.745
3.42 Unaffiliated	0	0.000	0	0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated	0	0.000	0	0.000
3.52 Unaffiliated	0	0.000	0	0.000
4. Mortgage loans:				
4.1 Construction and land development	0	0.000	0	0.000
4.2 Agricultural	0	0.000	0	0.000
4.3 Single family residential properties	0	0.000	0	0.000
4.4 Multifamily residential properties	0	0.000	0	0.000
4.5 Commercial loans	0	0.000	0	0.000
4.6 Mezzanine real estate loans	0	0.000	0	0.000
5. Real estate investments:				
5.1 Property occupied by the company	632,051	0.172	0	0.000
5.2 Property held for the production of income (including \$of property acquired in satisfaction of debt)	0	0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)	0	0.000	0	0.000
6. Contract loans	0	0.000	0	0.000
7. Receivables for securities	0	0.000	0	0.000
8. Cash, cash equivalents and short-term investments	170,060,202	46.199	170,060,202	46.380
9. Other invested assets	0	0.000	0	0.000
10. Total invested assets	368,106,182	100.000	366,664,501	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] NA []
- 1.3

State Regulating?.....

Michigan.....
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [X] No []
- 2.2

If yes, date of change:

10/06/2007
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2006
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2003
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

04/04/2005
- 3.4

By what department or departments? OFIS
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes [] No [X]

4.12 renewals?

Yes [] No [X]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes [] No [X]

4.22 renewals?

Yes [] No [X]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [X] No []
- 5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
Care Choices HMO.....	.....95452.....	.....MI.....
.....
.....
.....

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]
- 7.2

If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity
.....
.....
.....
.....
.....

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young LLP, 171 Monroe Ave., Grand Rapids, Michigan 49503
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Ernst & Young LLP, Insurance & Actuarial Advisory Services, 5 Times Square, New York, NY 10036
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [X] No []

11.11

Name of real estate holding company

PHMB Properties, LLC

11.12

Number of parcels involved

1

11.13

Total book/adjusted carrying value

\$32,070,371
- 11.2

If yes, provide explanation

Occupied buildings owned by a wholly-owned subsidiary, PHMB Properties, LLC
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA []
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [X] No []

a.

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b.

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c.

Compliance with applicable governmental laws, rules and regulations;

d.

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e.

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:
- 13.2

Has the code of ethics for senior managers been amended?

Yes [] No [X]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [] No [X]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [X] No []
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or likely to conflict with the official duties of such person?

Yes [X] No []

GENERAL INTERROGATORIES
FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [] No [X]

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

\$0

18.12 To stockholders not officers

\$0

18.13 Trustees, supreme or grand (Fraternal only)

\$0

18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

\$0

18.22 To stockholders not officers

\$0

18.23 Trustees, supreme or grand (Fraternal only)

\$0

19.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement?

Yes [] No [X]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

\$0

19.22 Borrowed from others

\$0

19.23 Leased from others

\$0

19.24 Other

\$0

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [] No [X]

20.2 If answer is yes:

20.21 Amount paid as losses or risk adjustment

\$0

20.22 Amount paid as expenses

\$0

20.23 Other amounts paid

\$0

21.1 Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []

21.2 If yes, indicated any amounts receivable from parent included in the Page 2 amount:

\$714,595

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date?

Yes [] No [X]

22.2 If no, give full and complete information relating thereto:

Priority Health had exclusive control over the securities, however, a third party, Mellon Bank, had actual possession of the securities.

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1)

Yes [] No [X]

23.2 If yes, state the amount thereof at December 31 of the current year:

23.21 Loaned to others

\$0

23.22 Subject to repurchase agreements

\$0

23.23 Subject to reverse repurchase agreements

\$0

23.24 Subject to dollar repurchase agreements

\$0

23.25 Subject to reverse dollar repurchase agreements

\$0

23.26 Pledged as collateral

\$0

23.27 Placed under option agreements

\$0

23.28 Letter stock or other securities restricted as to sale

\$0

23.29 On deposit with state or other regulatory body

\$0

23.291 Other

\$0

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [] No [X]

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes [] No [] NA [X]

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [] No [X]

25.2 If yes, state the amount thereof at December 31 of the current year:

\$0

GENERAL INTERROGATORIES

26. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
Fifth Third Bank.....	Grand Rapids, MI.....
Huntington National Bank.....	Grand Rapids, MI.....
Mellon Trust.....	Pittsburgh, PA.....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>2</div> <div>Complete Explanation(s)</div>
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No [X]

26.04 If yes, give full and complete information relating thereto:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>2</div> <div>Address</div>
N/A.....	Prime Investments.....	Bloomfield, CT.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?..... Yes [X] No []

27.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP #</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
27.2001. 921909-70-1.....	Vanguard Developed Markets Index.....	10,874,853
27.2002. 922040-10-0.....	Vanguard Instl Index Fund.....	20,402,878
27.2003. 922908-87-6.....	Vanguard Small Cap Index.....	9,836,351
27.2999 TOTAL		41,114,082

27.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding Of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
Vanguard Developed Markets Index...	BP..PLC.....	172,834	12/31/2007.....
Vanguard Instl Index Fund.....	ExxonMobil Corp.....	816,115	12/31/2007.....
Vanguard Small Cap Index.....	GE..Industries Holdings, Inc.....	29,509	12/31/2007.....

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
28.1 Bonds.....	315,669,469	315,229,591	(439,878)
28.2 Preferred stocks.....	0		0
28.3 Totals	315,669,469	315,229,591	(439,878)

28.4 Describe the sources or methods utilized in determining fair values:

Provided by Invesment Managers.....

29.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

29.2 If no, list the exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$0

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid

31.1 Amount of payments for legal expenses, if any?.....\$320,460

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Warner Norcross & Judd.....	118,551
Barnes & Thornburg.....	93,850

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$18,747

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Public Affairs Associates, Inc.....	18,747

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2 If yes, indicate premium earned on U. S. business only

\$0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$.....

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned \$0

1.62 Total incurred claims \$0

1.63 Number of covered lives0

All years prior to most current three years:

1.64 Total premium earned \$0

1.65 Total incurred claims \$0

1.66 Number of covered lives0

1.7 Group policies:

Most current three years:

1.71 Total premium earned \$0

1.72 Total incurred claims \$0

1.73 Number of covered lives0

All years prior to most current three years:

1.74 Total premium earned \$0

1.75 Total incurred claims \$0

1.76 Number of covered lives0

2. Health Test:

1

Current Year

2

Prior Year

2.1 Premium Numerator \$1,375,182,101 \$1,389,771,942

2.2 Premium Denominator \$1,375,182,101 \$1,389,771,942

2.3 Premium Ratio (2.1/2.2)1.0001.000

2.4 Reserve Numerator \$121,335,053 \$127,205,326

2.5 Reserve Denominator \$121,335,053 \$127,205,326

2.6 Reserve Ratio (2.4/2.5)1.0001.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No [X]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes [X] No []

5.2 If no, explain:

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical \$1,400,000

5.32 Medical Only \$1,400,000

5.33 Medicare Supplement \$

5.34 Dental \$

5.35 Other Limited Benefit Plan \$

5.36 Other \$

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

HMO holds harmless provisions of provider contracts, trust indentures.

7.1 Does the reporting entity set up its claim liability for provider services on a service date base?

Yes [X] No []

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year9,921

8.2 Number of providers at end of reporting year8,732

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?

Yes [X] No []

10.2 If yes:

10.21 Maximum amount payable bonuses

\$.....19,405,641

10.22 Amount actually paid for year bonuses

\$.....11,447,008

10.23 Maximum amount payable withholds

\$.....171,822

10.24 Amount actually paid for year withholds

\$.....5,482,984

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [] No [X]

11.13 An Individual Practice Association (IPA), or,

Yes [X] No []

11.14 A Mixed Model (combination of above) ?

Yes [] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

11.3 If yes, show the name of the state requiring such net worth.

Michigan

11.4 If yes, show the amount required.

\$.....106,095,948

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [X] No []

11.6 If the amount is calculated, show the calculation.

200% ACL

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Alcona.....
Allegan.....
Alpena.....
Antrim.....
Barry
Bay.....
Benzie.....
Berrien.....
Branch.....
Calhoun.....
Cass.....
Charlevoix.....
Cheboygan.....
Clare.....
Clinton.....
Crawford.....
Eaton.....
Emmet.....
Genesee.....
Gladwin.....
Grand Traverse.....
Gratiot.....
Hillsdale.....
Ingham.....
Ionia.....
Isabella.....
Jackson.....
Kalamazoo.....
Kalkaska.....
Kent.....
Lake
Leelanau.....
Lenawee.....
Livingston.....
Mackinac.....
Macomb.....
Manistee.....
Mason.....
Mecosta.....
Midland.....
Missaukee.....
Monroe.....
Montcalm.....
Montmorency.....
Muskegon.....
Newaygo.....
Oakland.....
Oceana.....
Osceola.....
Otsego.....
Ottawa.....
Presque Isle.....
Roscommon.....
Saginaw.....
St. Clair.....
St. Joseph.....
Tuscola.....
Van Buren.....
Washtenaw.....
Wayne.....
Wexford.....

GENERAL INTERROGATORIES

1
Name of Service Area

FIVE-YEAR HISTORICAL DATA

	1 2007	2 2006	3 2005	4 2004	5 2003
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	391,849,475	369,967,052	343,624,200	288,815,543	222,386,639
2. Total liabilities (Page 3, Line 22)	176,400,518	163,281,628	135,826,846	133,791,255	122,446,148
3. Statutory surplus	106,095,948	92,707,869	74,375,706	59,280,000	57,270,056
4. Total capital and surplus (Page 3, Line 31)	215,448,957	206,685,424	207,797,354	155,024,288	99,940,491
Income Statement (Page 4)					
5. Total revenues (Line 8)	1,375,716,353	1,389,354,926	1,048,491,582	936,875,020	773,665,841
6. Total medical and hospital expenses (Line 18)	1,239,492,757	1,247,172,675	906,775,529	799,378,013	675,108,947
7. Claims adjustment expenses (Line 20)	19,352,418	18,797,278	14,060,818	13,387,139	10,677,443
8. Total administrative expenses (Line 21)	109,663,706	115,421,244	79,677,968	75,860,456	59,413,810
9. Net underwriting gain (loss) (Line 24)	9,483,472	5,687,729	47,977,267	48,249,412	28,465,641
10. Net investment gain (loss) (Line 27)	16,892,008	16,919,846	9,832,386	4,799,481	2,862,690
11. Total other income (Lines 28 plus 29)	(779,278)	1,582,685	0	0	0
12. Net income (loss) (Line 32)	25,596,202	24,190,260	57,809,653	53,048,893	31,328,331
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	32,004,393	6,536,618	59,872,925	62,004,813	79,459,075
Risk - Based Capital Analysis					
14. Total adjusted capital	215,448,957	206,685,424	207,797,354	155,024,288	99,940,491
15. Authorized control level risk-based capital	53,047,974	51,455,154	37,187,853	29,640,000	28,635,028
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	398,183	436,357	372,107	363,563	335,480
17. Total member months (Column 6, Line 7)	4,871,980	5,341,367	4,444,474	4,283,334	3,866,469
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus 19)	90.1	89.8	86.5	85.3	87.3
20. Cost containment expenses	0.1	0.2	0.1	0.0	xxx
21. Other claims adjustment expenses	1.3	1.2	1.2	0.0	0.0
22. Total underwriting deductions (Line 23)	99.3	99.6	95.4	94.8	96.3
23. Total underwriting gain (loss) (Line 24)	0.7	0.4	4.6	5.2	3.7
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	114,724,989	134,540,186	101,828,805	100,974,982	73,544,022
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	118,738,198	141,221,419	102,365,272	105,423,025	73,792,854
Investments In Parent, Subsidiaries And Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 53, Col. 1)	21,874,578	18,804,236	12,677,982	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 7)	0	0	0	0	0
30. Affiliated mortgage loans on real estate	0	0	0	0	0
31. All other affiliated	0	0	0	0	0
32. Total of above Lines 26 to 31	21,874,578	18,804,236	12,677,982	0	0

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year					
Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	21,988,511	22,184,064	22,202,260	20,498,165
	2. Canada	0	0	0	0
	3. Other Countries	0	0	0	0
	4. Totals	21,988,511	22,184,064	22,202,260	20,498,165
States, Territories and Possessions (Direct and guaranteed)	5. United States	0	0	0	0
	6. Canada	0	0	0	0
	7. Other Countries	0	0	0	0
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....	174,763	173,297	174,557	175,000
	10. Canada	0	0	0	0
	11. Other Countries	0	0	0	0
	12. Totals	174,763	173,297	174,557	175,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	54,120,208	54,241,021	54,159,844	54,295,170
	14. Canada	0	0	0	0
	15. Other Countries	0	0	0	0
	16. Totals	54,120,208	54,241,021	54,159,844	54,295,170
Public Utilities (unaffiliated)	17. United States	4,019,248	3,964,606	4,132,373	3,906,000
	18. Canada	0	0	0	0
	19. Other Countries	0	0	0	0
	20. Totals	4,019,248	3,964,606	4,132,373	3,906,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	53,709,510	53,038,663	54,464,442	52,756,803
	22. Canada	413,028	383,740	416,605	350,000
	23. Other Countries	0	0	0	0
	24. Totals	54,122,538	53,422,403	54,881,047	53,106,803
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	134,425,268	133,985,391	135,550,081	131,981,138
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States	0	0	0	
	28. Canada	0	0	0	
	29. Other Countries	0	0	0	
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States	0	0	0	
	32. Canada	0	0	0	
	33. Other Countries	0	0	0	
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States	0	0	0	
	36. Canada	0	0	0	
	37. Other Countries	0	0	0	
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. Total Preferred Stocks	0	0	0	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States	0	0	0	
	42. Canada	0	0	0	
	43. Other Countries	0	0	0	
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States	0	0	0	
	46. Canada	0	0	0	
	47. Other Countries	0	0	0	
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States	41,114,083	41,114,083	32,811,065	
	50. Canada	0	0	0	
	51. Other Countries	0	0	0	
	52. Totals	41,114,083	41,114,083	32,811,065	
Parent, Subsidiaries and Affiliates	53. Totals	21,874,578	21,874,579	26,023,792	
	54. Total Common Stocks	62,988,661	62,988,662	58,834,857	
	55. Total Stocks	62,988,661	62,988,662	58,834,857	
	56. Total Bonds and Stocks	197,413,929	196,974,053	194,384,938	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	186,410,980	7. Amortization of premium.....	535,750
2. Cost of bonds and stocks acquired, Column 7, Part 3	40,466,859	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....	167,570	8.1 Column 15, Part 1	0
4. Increase (decrease) by adjustment:.....		8.2 Column 19, Part 2, Sec. 1.....	0
4.1 Columns 12 - 14, Part 1.....	0	8.3 Column 16, Part 2, Sec. 2	0
4.2 Columns 15 - 17, Part 2, Sec. 1.....	0	8.4 Column 15, Part 4	0
4.3 Column 15, Part 2, Sec. 2.....	4,503,034	9. Book/adjusted carrying value at end of current period	197,413,930
4.4 Columns 11 - 13, Part 4	4,503,034	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	(165,328)	11. Subtotal (Lines 9 plus 10)	197,413,930
6. Deduct consideration for bonds and stocks disposed of		12. Total nonadmitted amounts	809,631
Column 7, Part 4	33,433,435	13. Statement value of bonds and stocks, current period	196,604,299

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

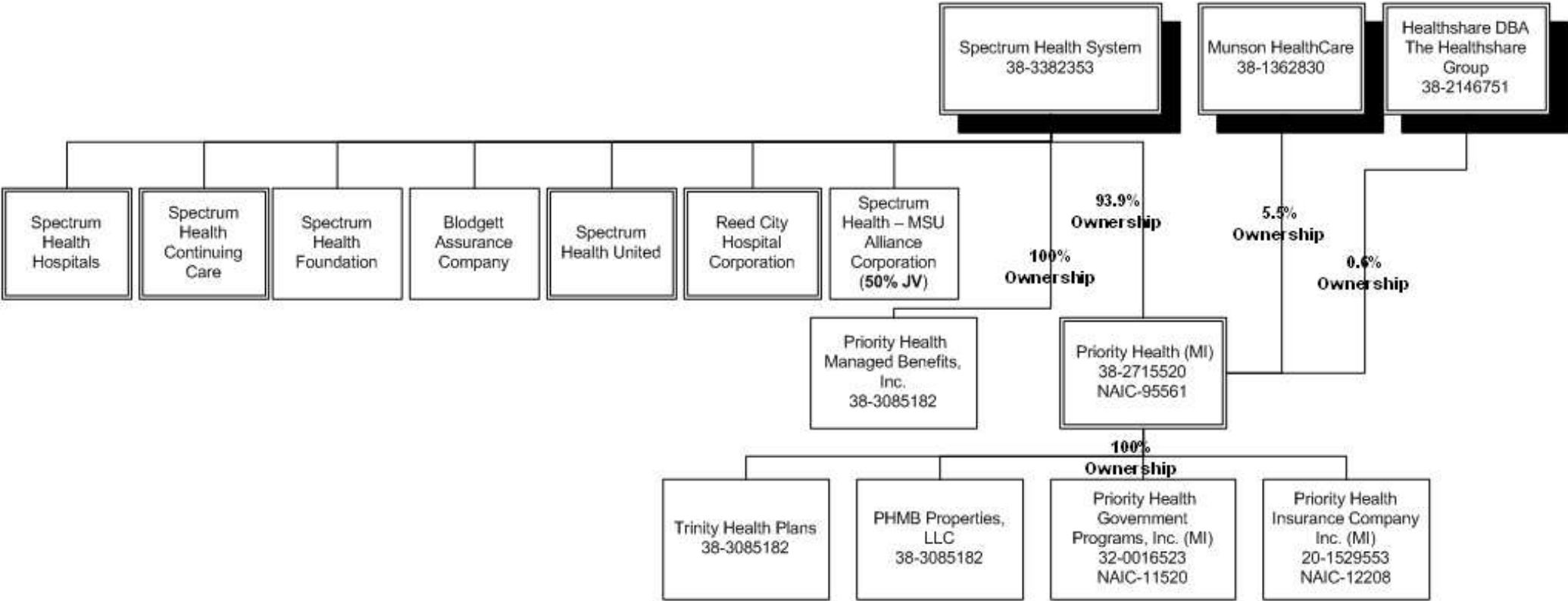
Allocated by States and Territories

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
States, Etc.		Is Insurer Licensed (Yes or No)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama	AL	No						.0	.0
2.	Alaska	AK	No						.0	.0
3.	Arizona	AZ	No						.0	.0
4.	Arkansas	AR	No						.0	.0
5.	California	CA	No						.0	.0
6.	Colorado	CO	No						.0	.0
7.	Connecticut	CT	No						.0	.0
8.	Delaware	DE	No						.0	.0
9.	District of Columbia	DC	No						.0	.0
10.	Florida	FL	No						.0	.0
11.	Georgia	GA	No						.0	.0
12.	Hawaii	HI	No						.0	.0
13.	Idaho	ID	No						.0	.0
14.	Illinois	IL	No						.0	.0
15.	Indiana	IN	No						.0	.0
16.	Iowa	IA	No						.0	.0
17.	Kansas	KS	No						.0	.0
18.	Kentucky	KY	No						.0	.0
19.	Louisiana	LA	No						.0	.0
20.	Maine	ME	No						.0	.0
21.	Maryland	MD	No						.0	.0
22.	Massachusetts	MA	No						.0	.0
23.	Michigan	MI	Yes	1,323,096,729	52,980,211				1,376,076,940	.0
24.	Minnesota	MN	No						.0	.0
25.	Mississippi	MS	No						.0	.0
26.	Missouri	MO	No						.0	.0
27.	Montana	MT	No						.0	.0
28.	Nebraska	NE	No						.0	.0
29.	Nevada	NV	No						.0	.0
30.	New Hampshire	NH	No						.0	.0
31.	New Jersey	NJ	No						.0	.0
32.	New Mexico	NM	No						.0	.0
33.	New York	NY	No						.0	.0
34.	North Carolina	NC	No						.0	.0
35.	North Dakota	ND	No						.0	.0
36.	Ohio	OH	No						.0	.0
37.	Oklahoma	OK	No						.0	.0
38.	Oregon	OR	No						.0	.0
39.	Pennsylvania	PA	No						.0	.0
40.	Rhode Island	RI	No						.0	.0
41.	South Carolina	SC	No						.0	.0
42.	South Dakota	SD	No						.0	.0
43.	Tennessee	TN	No						.0	.0
44.	Texas	TX	No						.0	.0
45.	Utah	UT	No						.0	.0
46.	Vermont	VT	No						.0	.0
47.	Virginia	VA	No						.0	.0
48.	Washington	WA	No						.0	.0
49.	West Virginia	WV	No						.0	.0
50.	Wisconsin	WI	No						.0	.0
51.	Wyoming	WY	No						.0	.0
52.	American Samoa	AS	No						.0	.0
53.	Guam	GU	No						.0	.0
54.	Puerto Rico	PR	No						.0	.0
55.	U.S. Virgin Islands	VI	No						.0	.0
56.	Northern Mariana Islands	MP	No						.0	.0
57.	Canada	CN	No						.0	.0
58.	Aggregate Other Alien	OT	XXX	.0	.0	.0	.0	.0	.0	.0
59.	Subtotal	XXX	1,323,096,729	52,980,211	.0	.0	.0	.0	1,376,076,940	.0
60.	Reporting entity contributions for Employee Benefit Plans	XXX							.0	
61.	Total (Direct Business)	(a) 1	1,323,096,729	52,980,211	0	0	0	0	1,376,076,940	0
DETAILS OF WRITE-INS										
5801.		XXX								
5802.		XXX								
5803.		XXX								
5898.	Summary of remaining write-ins for Line 58 from overflow page	XXX	.0	.0	.0	.0	.0	.0	.0	
5899.	Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	

(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



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(http://www.naic.org/committees_e_app_blanks.htm)

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